

BUSINESS, TRANSPORTATION, AND HOUSING

The Business, Transportation, and Housing Agency oversees programs that promote the state's business and economic climate, transportation infrastructure, affordable housing, and patients' rights. The Agency also promotes public safety through the Department of Motor Vehicles, the California Highway Patrol and the Department of Alcoholic Beverage Control. Funding for all programs exceeds \$19.9 billion, which is largely derived from special fund revenues, federal funds, and the proceeds of bonds.

The proposed Budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments were made to reflect specific policy adjustments and reductions, including budget-balancing reductions. Change Table BTH-01 illustrates the major changes proposed to Business, Transportation and Housing Agency spending in the Governor's Budget. More notable funding changes are described below.

Change Table BTH-01

Business, Transportation, and Housing Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$1,567,294	\$18,057,803	44,224.0	\$1,567,294	\$11,678,895	44,224.0
Workload Adjustments						
Change in Expenditures to Reflect Updated Prop 42 Sales Tax Revenue Forecast	-42,559	—	—	4,320	—	—
General Obligation Debt Service - Housing	—	—	—	108,872	—	—
General Obligation Debt Service - Transportation	2,535	-6,289	—	2,606	14,711	—
Proposition 1C Housing Bond Funding Plan	—	165,000	—	—	-162,000	—
Savings for Anticipated Vacant CHP Officer Positions	—	—	—	—	-40,000	—
Statutory and revenue driven increases in State Transit Assistance funding	—	-11,545	—	—	427,112	—
Employee Compensation/Retirement	123	226,260	—	152	248,999	—
Restore Zero-Based Transportation Capital Outlay and Re-estimate of Expenditures	—	37,255	—	—	5,676,355	—
Expiring Programs or Positions	—	—	—	—	-23,341	-6.6
One-Time Cost Reductions	—	—	—	-1,028	-74,142	—
Full-Year Cost of New Programs	—	—	—	—	26,650	101.2
Other Workload Adjustments	-1,014	130,412	-15.2	142	319,745	174.8
Infrastructure Adjustment	—	-5,331	—	—	14,297	—
Totals, Workload Adjustments	-\$40,915	\$535,762	-15.2	\$115,064	\$6,428,386	269.4
Policy Adjustments						
Housing Urban-Suburban-and-Rural Parks Program	—	—	—	—	30,583	1.9
New Clean Renewable Energy Bonds (CREB) to Fund Photovoltaic Installation	—	—	—	—	20,000	—
Statewide CHP Officer Augmentation	—	—	—	—	21,592	112.3
Other Policy Adjustments	—	—	—	169	17,707	13.2
Totals, Policy Adjustments	\$0	\$0	—	\$169	\$89,882	127.4
Total Adjustments	-\$40,915	\$535,762	-15.2	\$115,233	\$6,518,268	396.8
Budget Prior to Reductions	\$1,526,379	\$18,593,565	44,208.8	\$1,682,527	\$18,197,163	44,620.8
Budget-Balancing Reductions ^{1/}	-\$200	\$0	—	-\$2,028	-\$100	-4.1
Governor's Budget	\$1,526,179	\$18,593,565	44,208.8	\$1,680,499	\$18,197,063	44,616.7

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

PROPOSED WORKLOAD BUDGET

The major workload adjustments for 2008-09 included the following:

DEPARTMENT OF TRANSPORTATION

- Proposition 42 is fully funded at \$1.5 billion, including

\$83 million for loan repayment pursuant to Proposition 1A of 2006.

- Caltrans will receive an additional \$460.3 million in federal funding in 2007-08 from both reimbursement for emergency funds expended in past years and from federal funding that other states were unable to use. These funds will be used to complete additional pavement rehabilitation work.
- The change table for the BTH Agency reflects updated 2008-09 local assistance and capital outlay expenditures as well as carryover from past year appropriations.
- The Budget reflects the passage of Chapter 733, Statutes of 2007 (SB 717), which shifted \$74 million annually in Proposition 42 revenues from the state to local transit agencies funded through the State Transit Assistance Program.

CALIFORNIA HIGHWAY PATROL

- The budget includes an additional \$18.5 million for the third year of a five-year CHPERS Enhanced Radio System project to replace and upgrade CHP's system.

PROPOSED BUDGET-BALANCING REDUCTIONS

- Budget-balancing reductions for the Business Transportation and Housing Agency total \$0.2 million in 2007-08 and \$2.03 million and 4.1 personnel years in 2008-09.

- Programs exempted from reductions include Proposition 42 transportation transfers and general obligation debt service.

The major reductions are described below:

**DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT**

- \$481,000 in 2008-09 for the Small Business Loan Guarantee Program. This reduction will result in fewer loan guarantees available to small businesses in California.
- \$343,000 in 2008-09 for the Office of Migrant Services. This reduction will require that four centers be closed, resulting in fewer housing opportunities for migrant agricultural workers in California.
- \$401,000 in 2008-09 for the Emergency Shelter Program. This reduction in assistance to local homeless emergency shelters would result in approximately 1,900 fewer shelter spaces annually.

**PROGRAM ENHANCEMENTS AND
OTHER BUDGET ADJUSTMENTS**

TRANSPORTATION

The Governor’s Budget proposes \$13.9 billion to fund the Department of Transportation (Caltrans). This reflects a reduction of \$262 million from the revised 2007-08 budget driven primarily by a one-time increase of \$460 million in

federal funds in the current year, both as reimbursement for past emergency expenditures and from the redistribution of federal transportation funds that other states were unable to use.

STATE HIGHWAY OPERATION AND PROTECTION PROGRAM

The Budget includes \$946 million for the State Highway Operation and Protection Program, which reduces the number of collisions and hazards to motorists, preserve and rehabilitate bridges and roadways, enhance and protect roadsides, and improve operation of the state highway system. The 2008-09 Budget also includes \$100 million from tribal gaming funds and \$268 million from Proposition 1B funds.

LOCAL ASSISTANCE PROGRAMS

Caltrans provides state and federal transportation funds to local agencies for local capital improvement projects on the state highway system, mass transit capital improvement projects, and local bridge improvement projects. The Governor's Budget proposes \$3 billion for local transportation in 2008-09, including \$156 million for local mass transportation projects.

LOCAL MASS TRANSPORTATION

The Governor's Budget includes funding for the following transit, rail, and planning programs. This reflects a continuation of the funding allocation priorities set in Chapter 181 (SB 88), Statutes of 2007.

- \$141 million to continue funding transportation services administered by Regional Centers.

- \$1.1 billion for local transit agencies for operating and capital purposes through the State Transit Assistance Program. This amount includes \$350 million in Proposition 1B funds for capital transit projects and \$742.9 million from sales tax revenues, including a \$74 million increase in Proposition 42 revenues resulting from passage of SB 717. Operating funds from sales tax revenues are growing from \$304 million in 2007-08 to \$743 million in 2008-09.

CALTRANS STATE OPERATIONS BUDGET

The Governor's Budget proposes \$4.2 billion in state operations funding for transportation in 2008-09.

CALTRANS MAINTENANCE

The Budget includes \$1.2 billion and 5,922 positions to maintain approximately 15,000 centerline miles of highway, over 230,000 right-of-way acres, and over 12,000 state highway bridges and to inspect over 12,000 local bridges. The Budget proposes a \$22 million increase.

CALTRANS RAIL OPERATIONS

The Budget includes \$106 million and 178 positions to manage and coordinate intercity rail passenger services and local transit projects that provide commuters with a range of transportation options, help to improve the state's air quality and reduce highway congestion and fuel consumption. Caltrans manages two state-supported routes operated by Amtrak, and financially supports a third.

TRANSPORTATION REVENUE

Total statewide transportation resources are estimated to be approximately \$21.2 billion in 2008-09, an increase of \$289 million over 2007-08. Local gas tax distributions for local streets and roads are shown in the General Government section of the Budget in Item 9350 (Shared Revenues).

FUEL TAXES

Transportation programs in California are funded largely from fuel taxes, including federal funds derived from the federal excise tax collected by the Internal Revenue System. State fuel taxes include an excise tax on gasoline and diesel fuel, sales tax on gasoline and diesel fuel, truck weight fees and motor vehicle fees. These revenues total \$8.5 billion in 2008-09 and are deposited in special funds as follows:

State Highway Account—\$1.049 billion

Highway Users Tax Account—\$3.569 billion

Public Transportation Account—\$0.888 billion

Mass Transportation Account—\$0.455 billion

Motor Vehicle Account—\$2.5 billion

PROPOSITION 1B

The Governor's Budget proposes to appropriate \$4.7 billion for the transportation element of the Proposition 1B bond act as part of the Strategic Growth Plan.

- \$4.0 billion is projected to be allocated, or committed, in 2008-09 for existing Proposition 1B programs funded in the 2007 Budget Act.

- \$700 million is proposed to be allocated for two new Proposition 1B programs as follows: \$200 million is for the State/Local Partnership program and \$500 million is for the Trade Corridors program.

Figure BTH-01 displays Proposition 1B bond act funds included in the Governor’s Budget.

Figure BTH-01 Proposition 1B Implementation (Dollars in Millions)		
	2007-08	2008-09
Corridor Mobility	\$608	\$1,547
Local Transit	\$600	\$350
State Transportation Improvement Program	\$727	\$1,186
Trade Corridors	\$0	\$500
State & Local Partnerships	\$0	\$200
Local Streets and Roads	\$950	\$0
State Highway Operation and Protection Program	\$403	\$216
Grade Separations	\$123	\$65
Highway 99	\$14	\$108
Local Seismic	\$14	\$21
Intercity Rail	\$188	\$73
School Bus Retrofit	\$193	\$0
Air Quality	\$250	\$250
Transit Security	\$101	\$101
Port Security	\$41	\$58
Total Appropriations	\$4,212	\$4,675

PROPOSITION 42

In November, 2006, the voters approved Proposition 1A, which further limits the conditions under which the Proposition 42 transfer can be suspended and requires all outstanding loans be repaid in annual increments by June 30, 2016. The Governor’s Budget proposes to fully fund the Proposition 42 transfer (\$1.5 billion) and the Proposition 1A loan repayment (\$83 million) for fiscal 2008-09.

TRIBAL GAMING FUNDS

Several past Budget Acts have reflected repayment of a portion of outstanding transportation loans with bond proceeds derived from Indian gaming revenues to specified transportation programs, but several lawsuits have prevented the bonds from being sold, and the resolution of the litigation is unknown at this time. Consequently, the Budget now assumes \$100 million in cash will be received annually from gaming revenues and will be deposited in the State Highway Account for transportation programs.

DEPARTMENT OF MOTOR VEHICLES

The Governor's Budget proposes \$959.7 million, all from non-General Fund sources, and 8,250 positions for support of the Department of Motor Vehicles. Vehicle registration fees and driver's license fees are deposited into the Motor Vehicle Account to be used for the administration and enforcement of laws regulating the use, operation, and registration of vehicles on California public streets and highways, including the enforcement of traffic and vehicle laws by state agencies and the mitigation of the negative environmental effects of motor vehicles. Current and projected program costs have increased beyond current revenue levels. Absent a correction, the Account would become insolvent in 2008-09.

The Budget proposes an increase of \$11 per vehicle to the fee that provides support for the California Highway Patrol, as well as imposing penalties on those who are late in paying this fee, in line with penalties required under current law for the base registration fee. This will generate approximately \$385 million in revenue in 2008-09 year for partial year implementation,

increasing to \$522 million for full-year implementation in 2009-10. These revenues will support continued public safety initiatives, such as California Highway Patrol staffing and radio system upgrade, while maintaining a prudent reserve.

CALIFORNIA HIGHWAY PATROL

The Governor's Budget proposes \$1.9 billion and 11,196 positions for support of the California Highway Patrol (CHP). This total also includes an additional 120 uniformed positions and 44 nonuniformed positions (\$21.6 million Motor Vehicle Account) to address workload growth associated with population growth, including the increased number of licensed drivers, and development of new communities and the resulting increased traffic congestion and number of collisions. The full year cost of this request is \$22.4 million.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The Department of Housing and Community Development (HCD) administers housing finance, rehabilitation, and community development programs; oversees the state's housing planning and code-setting processes; and regulates manufactured housing and mobile home parks. The Governor's Budget proposes \$1.1 billion (\$15.9 million General Fund and \$1.0 billion other funds) and 626 positions for the department's activities.

PROPOSITION 1C IMPLEMENTATION

In November 2006, the voters approved Proposition 1C, the Housing and Emergency Shelter Fund Act of 2006, to promote housing programs in California through the investment of \$2.85 billion in General Obligation Bonds.

The Budget proposes \$771 million to the following program areas authorized by Proposition 1C:

- Infill incentives: \$200 million
- Affordable rental housing construction programs: \$194 million
- Affordable homeownership programs: \$188 million
- Transit-oriented development: \$95 million
- Housing for farm workers: \$40 million
- Housing Urban-Suburban-and-Rural Parks: \$30 million
- Emergency housing assistance: \$24 million

DEPARTMENT OF FINANCIAL INSTITUTIONS

The Governor's Budget proposes \$32.5 million and 241 positions for support of the Department of Financial Institutions, including:

- \$738,000 and five positions to examine non-traditional mortgage product offerings at credit unions.
The positions will ensure credit unions are underwriting these mortgages in a responsible manner, and will ensure they have adequate policies and procedures to mitigate any losses that could result.
- \$1.2 million and 10 positions to expand regular credit union examinations to include a review of electronic banking practices.

DEPARTMENT OF CORPORATIONS

The Governor's Budget proposes \$40.1 million and 313 positions for support of the Department of Corporations,

including \$1 million and eight positions for workload increases in the Broker-Dealer Investment Advisers Program, and the California Finance Lenders Law Program.